

## Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: EAGR, ETRD, MX

SUBJ: BEEF EXPORT PROJECTIONS

PASS USDA FAS

REF: MEXICO 11355

FOURTH QUARTER BEEF AND VEAL EXPORTS SUBJECT TO PL 88-482 SHOULD BE ADJUSTED UPWARD TO WITHIN A RANGE OF 20 TO 30 MILLION LBS. THIS WOULD PLACE TOTAL ESTIMATED 1976 MEXICAN BEEF AND VEAL SHIPMENTS IN THE 46 TO 56 MILLION LB. RANGE.

THIS PROJECTED RANGE IS NECESSARY DUE TO THE DEVALUATION OF THE PESO AND THE MANY ATTENDANT MARKET UNCERTAINTIES THAT CAN AND ARE HAVING AN EFFECT ON BEEF EXPORTS. AMONG THE UNCERTAINTIES ARE:

1. "MAQUILA" BEEF SHIPMENTS. FOURTH QUARTER 1975 SHIPMENTS TOTALLED 13.2 MILLION LBS. OF WHICH 7.5 MILLION LBS. WAS "MAQUILA" BEEF. THE ADDITIONAL VALUE OF OFFALS AND HIDES IN MEXICO (PRIOR TO DEVALUATION) WAS ONE OF THE ECONOMIC FACTS THAT MADE "MAQUILA" SLAUGHTER PROFITABLE

AND POSSIBLE. SINCE DEVALUATION HIDES HAVE INCREASED IN PRICE AND ARE SELLING AT ABOUT THE US EQUIVALENT. HOWEVER, SIMILAR PRICE INCREASES FOR OFFALS HAVE NOT YET BEEN REALIZED. THE REEXPORTED BEEF IS NOT

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SUBJECT TO THE 18 PERCENT EXPORT TAX AS IS DOMESTIC BEEF AND IF

DOMESTIC PRICE INCREASES ARE REGISTERED FOR OFFALS, "MAQUILA" BEEF COULD AGAIN BE A SIGNIFICANT FACTOR IN 1976 FOURTH QUARTER SHIPMENTS. MEAT TRADE CONTACT INDICATED TODAY THEY WERE AGAIN IN THE TEXAS MARKET FOR "MAQUILA" CATTLE.

2. DOMESTIC CATTLE SUPPLY. INDICATIONS ARE THERE ARE SUFFICIENT MEXICAN CATTLE TO SHIP 20 TO 30 MILLION LBS. IN THE FOURTH QUARTER PROVIDED CATTLEMEN ARE WILLING TO SELL. HOWEVER, IF AN INFLATIONARY ATTITUDE AND SPIRAL DEVELOPS CATTLEMEN MAY WANT TO HOLD FOR STILL HIGHER PRICES. COW PRICES HAVE REPORTEDLY ADVANCED SINCE DEVALUATION FROM 6/7.50 TO 7/8.50 PESOS PER KILO.

3. GOM ACTION. CURRENTLY THERE IS AN 18 PERCENT EXPORT TAX ON MEXICAN BEEF. THE EXPORT BEEF INDUSTRY IS REQUESTING RELIEF FROM THIS TAX AND IF SUCCESSFUL ADDITIONAL EXPORTS WOULD BE FORTHCOMING. OTHERWISE, TRADE SOURCE FEELS THAT PICKUP IN DOMESTIC BEEF SHIPMENTS WILL BE LESS THAN ANTICIPATED.

4. DOMESTIC ECONOMY. IF THE DEVALUATION FORCES MAJOR CONSUMER BELT TIGHTENING AND LESS BEEF IS CONSUMED, DOMESTIC PRICES SHOULD WEAKEN IN FAVOR OF THE EXPORT MARKET. IF ON THE OTHER HAND EXCESSIVE WAGE INCREASES ARE GRANTED, INCREASED DISPOSABLE INCOMES COULD RESULT IN UPWARD PRESSURE ON DOMESTIC BEEF PRICES AND IF THERE APPEARS TO BE A BEEF SHORTAGE, GOM COULD EMBARGO EXPORT BEEF SHIPMENTS OR INCREASE EXPORT TAXES.

WE WILL CONTINUE TO MONITOR THE SITUATION AND REPORT SIGNIFICANT DEVELOPMENTS.

THOMPSON

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